

Approved For Release 2003/02/27 : CIA-RDP78-01617A005800020039-1

DIA and DOS review(s) completed.

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15 MAY 1948

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TOP SECRET

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GENERAL

1. Soviets at CFM more conciliatory except for Trieste--Secretary Byrnes believes that the Soviet attitude in the Council of Foreign Ministers on all "open questions" other than Trieste became more conciliatory "under the spur" of his proposal to fix a date for the Peace Conference. He sees indications that the Soviets will seek to reach an agreement on these questions in order to strengthen their bargaining position on Trieste.

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3. Poles dissatisfied with Soviet support on Spanish issue--Stettinius has been told [redacted] that Polish delegate Lange is greatly embarrassed because the Soviets, after requesting the Poles to introduce the Spanish question, have failed to supply them with facts to substantiate their contentions.

25X1X7

4. Stettinius urges Federal support for UN facilities--Stettinius reports that a critical situation has arisen as a result of uncertainty as to whether the UN Headquarters will remain in New York beyond September. He urges strong Federal support for working out present UN plans to remain in New York throughout the interim period of three to five years. He asserts that Federal funds are not needed, but recommends assurances to Secretary General Lie in respect to housing, transportation and "other essentials." Stettinius advocates, however, a continued neutral position on the question of the permanent UN site.

Document No. 039

NO CHANGE in Class. ☐☐ DECLASSIFIED

Class. CHANGED TO: TS S (C)

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1783

Date: 14 MAR 1978

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EUROPE-AFRICA

5. ITALY: Communist coup discounted--According to Embassy Rome, the Allied Commission has found no evidence of any organized plan for a Communist coup d'etat in Italy during the June election period.
6. IRAN: Shah's apprehensions--The Shah has told Ambassador Allen in confidence that Prime Minister Qavam must remain in office because (a) he is "trying to do right" and (b) anyone else the Shah might appoint would be regarded by the Soviets as unfriendly unless he were an out-right Communist.

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7. RUMANIA: Soviets approach complete control of Rumanian economy--US political representative Berry in Bucharest reports that he expects (a) the nationalization of the Rumanian National Bank within "a matter of months," and (b) eventual nationalization of all banks outside the "Soviet bank combination" with consequent complete Soviet control of Rumanian industry. The most recent step in this direction was the ratification on 8 May of the Rumanian-Czechoslovak trade agreement providing for payment of Czech exports in Rumanian gold. Berry comments that such payment (a) is contrary to Rumanian law, and (b) will endanger international pre-war and war claims on Rumania's gold supply.
8. EGYPT: Negotiations with US on Payne field--The State Department has notified Legation Cairo, in connection with current negotiations for continuing US rights at Payne field, that the US (a) rejects Egypt's proposal to pay for surplus US equipment with Egyptian cotton, and (b) suggests payment in Egyptian pounds, which may be applied to US expenditures in Egypt and to purchases of as much Egyptian cotton as "feasible." If agreement "on all points" is reached, the US will accept Egypt's proposal (granting military rights for only six months) upon the Prime Minister's written assurance that Egypt will consider extending those rights for such use of Payne field as may be required during the US occupation of Germany and Japan.

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10. AFGHANISTAN: Desire to join UN--Legation Kabul reports that Afghanistan (a) wishes to join the UN now "if the prospects are favorable" and (b) would be glad to have the encouragement of the US Government before taking steps to ascertain the attitude of the other permanent members of the Security Council.

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FAR EAST

12. JAPAN: Approach to USSR on Kamchatka fishing--The State Department has suggested to SCAP that he approach the Soviets in the matter of Japanese fishing operations in Kamchatka, emphasizing the urgent need for food from these fisheries to relieve unrest and disease in Japan.
13. KOREA: USSR takes cognizance of Pauley visit--Embassy Moscow has been informed that appropriate Soviet representatives in northern Korea have been notified of the forthcoming arrival and five-day sojourn of Ambassador Pauley.
14. INDOCHINA: Chinese withdrawal from Hanoi--Vice Consul Hanoi reports that the French have been informed that Chinese troops will commence their withdrawal on 15 May and complete it by 10 June.

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16. VENEZUELA: Oil industry faces crisis--The US Military Attache reports "real danger" that current negotiations to settle workers' demands on foreign oil companies will result in either (a) a nation-wide strike, completely paralyzing the industry, or (b) Government intervention, which would seriously curtail future operations of foreign companies. The Attache suggests that the Venezuelan Government (a) is incapable of meeting the situation, and (b) welcomes the actions of the Communist oil unions as an excuse to intervene in the oil industry at the expense of Anglo-American companies.

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